



INTERIM REPORT

FOR THE SIX MONTHS
SEPTEMBER 1 TO FEBRUARY 28, 1978

← Statement of Earnings

President's Remarks →

Interprovincial Steel and Pipe Corporation Ltd.
Regina, Saskatchewan, Canada

INTERPROVINCIAL

TO THE SHAREHOLDERS:

The first six months of IPSCO's current fiscal year to February 28, 1978 reflects a relatively stable position as compared to the previous year. Net sales for the first half of fiscal 1978 totalled \$75,996,727, down slightly from the 1977 figure of \$76,935,298. Tonnage sales at 178,395 tons for the six months ended February 28, 1978 were 6% lower than the comparable period in 1977. Market demand in most product categories remained at levels comparable to the previous year and this condition is forecast for the last half of the fiscal year ending August 31, 1978.

Steel production totalled 250,007 tons for the first half of the fiscal year, an increase of 5% over the comparable period in 1977. The production was close to forecast levels which included an allowance for downtime due to peak shaving requirements by the power utility during the winter months.

FINANCIAL

Net earnings for the first six months amounted to \$5,417,563 after depreciation and income taxes as compared with \$5,697,157 for the previous year's six month period. Earnings per common share for the first half of the current fiscal year amounted to \$1.17 as compared to \$1.23 per share in 1977.

During the first half of the fiscal year the operations of IPSCO generated cash in the amount of \$8,043,139. These funds were used to purchase fixed assets of

STEEL AND PIPE CORPORATION LTD.

\$1,815,727, to retire long-term debt of \$1,250,200, to pay dividends of \$1,394,386 and to increase working capital by \$3,582,826. As at February 28, 1978 the total working capital was \$51,847,774.

OUTLOOK

The world demand for steel products continues to fall short of current world supply and there are no significant signs of an early recovery in this situation. As a consequence prices for steel products on the international market have remained depressed and this has reduced IPSCO's participation in export markets. This does not include exports to the United States where the market has remained strong for those products required by the oil and gas exploration and development industries.

As a result of the continued imbalance in supply and demand on world markets for steel products both the United States and the European Common Market have introduced programs to monitor and control prices and volumes of steel products entering these countries. Canada recently announced the formation of a Steel Task Force which will be carrying out a similar function in the monitoring of steel imports into the Canadian market. Since the Canadian industry is based on supplying the needs of the domestic market it is important that the supply position of Canadian mills be maintained and not seriously diluted through increased tonnages of imported steel.

A number of significant decisions were reached during the period under review which are encouraging relative to the start of the northern gas pipeline from Prudhoe Bay through Canada connecting to gas transmission systems to be constructed in the United States. The pipeline route has been finalized, the pipe specification has been finalized and Bill C-25 relating to the pipeline has recently been passed by Parliament.

The effect of the northern gas pipeline project on companies supplying goods and services will not be felt until late 1979 or early 1980. The markets for other products in IPSCO's range are relatively stable and volumes and earnings for the balance of the current fiscal year should be comparable to those experienced in 1977. Steel sales could increase in the last half of our fiscal year if steel users build up inventories in anticipation of wage negotiations within the steel industry slated for this summer.

The market for ERW pipe in sizes up to 16" diameter and oil country tubular goods remains strong and will require a high level of production through fiscal 1978. As has been the case for the last several years the product category which remains at below normal levels of demand is large diameter pipe used for oil and gas transmission line systems. However this will change dramatically with the commencement of the Foothills Project.

J. D. MACLENNAN

President & Chief Executive Officer.

April 14, 1978.

INTERPROVINCIAL STEEL AND PIPE CORPORATION LTD.

AND SUBSIDIARY COMPANIES

CONSOLIDATED INTERIM FINANCIAL STATEMENT

(Unaudited)

For the Six Months
September 1 to February 28
1978 1977

STATEMENT OF EARNINGS

Revenue

Sales	\$75,996,727	\$76,935,298
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Expenses

Cost of sales, excluding the following items . . .	\$63,972,962	\$63,740,522
Interest on long-term debt	450,694	417,077
Other interest	689,932	892,420
Depreciation	2,090,576	1,788,622
	<u>\$67,204,164</u>	<u>\$66,838,641</u>

Earnings Before Income Taxes	\$ 8,792,563	\$10,096,657
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Provision for Income Taxes

Current	\$ 2,840,000	\$ 3,745,500
Deferred	535,000	654,000
	<u>\$ 3,375,000</u>	<u>\$ 4,399,500</u>

Net Earnings for the Period	\$ 5,417,563	\$ 5,697,157
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Earnings per Common Share	\$1.17	\$1.23
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Number of Common Shares	4,647,967	4,647,967
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STATEMENT OF CHANGES IN FINANCIAL POSITION

Source of Funds

From Operations

Net earnings	\$ 5,417,563	\$ 5,697,157
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Non-cash charges

Deferred income taxes	535,000	654,000
Depreciation	2,090,576	1,788,622
	<u>\$ 8,043,139</u>	<u>\$ 8,139,779</u>

Application of Funds

Expenditure for fixed assets	\$ 1,815,727	\$ 2,825,910
Reduction of long-term debt	1,250,200	862,000
Dividends	1,394,386	1,394,386
	<u>\$ 4,460,313</u>	<u>\$ 5,082,296</u>

Increase in Working Capital	\$ 3,582,826	\$ 3,057,483
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Working Capital at Beginning of Period	48,264,948	42,327,798
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Working Capital at End of Period	<u>\$51,847,774</u>	<u>\$45,385,281</u>
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